

State Evaluation Procedures for Licensing of New Hospitals in Illinois

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IN 1953 the Illinois General Assembly passed a comprehensive hospital licensing statute applying to virtually all hospitals in the State. This was accomplished without opposition and with the full approval of the supporting professions. The division of hospitals and chronic illness of the State department of public health officially administers the Illinois Hospital Licensing Act. The department's procedure of evaluating proposals for establishing new hospitals is carried out within the framework of a mandatory State hospital licensing statute. The statute requires that the procedure be carried out by a State agency, operating under State regulation, with the advice and counsel of a legally constituted hospital licensing board.

Under the Illinois Hospital Licensing Act, all proposals to establish new hospitals are subjected to an exhaustive review and evaluation by the Illinois Hospital Licensing Board. The board is a statutory body, comprised of seven members, appointed by the Governor of the State from recommendations made by the professional hospital and medical associations through the director of public health. The statute provides that three members shall be hospital administrators, two shall be physicians, and two shall be members of hospital governing boards and shall represent the general public.

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The evaluations must result in a favorable determination and recommendation by the board if the proposals are to proceed. If a conclusion is reached that the proposal does not constitute a "sound hospital development proposal in the public interest," it is not allowed to proceed.

The State department of health cooperates closely with voluntary planning agencies in the State. For example, sponsors of proposed hospitals in the Chicago area are asked to obtain an opinion of their proposal from the Hospital Planning Council of Metropolitan Chicago.

Illinois has some 300 general and allied special hospitals, not counting State and private mental hospitals. These 300 hospitals contain some 50,000 beds. About 200 of the 300 hospitals are in the Chicago region, 80 within the city and as many as 120 (40 percent of State total) within the Chicago metropolitan area. The hospitals are mainly voluntary, nonprofit, community and church-related hospitals and hospitals operated by local governmental units: counties, cities, townships, and hospital districts. Only a few are owned and operated, on a proprietary basis, by individuals, partnerships, and business corporations. There are only two osteopathic hospitals and relatively few allied special hospitals.

Hospital licensing in Illinois has developed like that of many States. From 1939 to 1948, only the maternity departments of general hospitals were licensed. Private mental hospitals and psychiatric units of general hospitals were subject to licensing, then as now, by the Illinois Department of Mental Health. With the advent of the Hill-Burton program, requiring the

establishment of minimum standards of maintenance and operation for federally aided hospitals, licensing was initiated which was applicable only to those hospitals that had received a grant through the program, which also is administered by the bureau of hospitals of the State department of health.

The statute and regulations and the actions of the hospital licensing board and administration of the program by the department of public health have been well received. The professional public health approach of consultation, guidance, and counsel has been exercised at all times. The evaluation process for new hospital development proposals has been established within this framework.

In the fall of 1961 it became apparent to many persons concerned with hospital matters in Illinois that a new and potentially undesirable type of hospital enterprise was appearing on the scene. This was the development, or threat of development, of a considerable number of new large hospitals—not by community-minded health- and hospital-oriented groups but by realtors, investors, entrepreneurs of every character, disenchanted proprietary nursing home operators, and so on. More than once, serious question was raised as to the character and background of the persons proposing to establish hospitals. Some proposals were well intentioned but poorly based. Knowledgeable individuals and groups recognized these plans for what they were—unsound hospital development proposals often based more on self-serving than on public-serving considerations.

The matter of unsound proposals was brought before the Illinois Hospital Licensing Board. With the advice of the Illinois Attorney General's staff, the approval of the Illinois Hospital Licensing Board, and the administrative support of the director of public health, hospital licensing regulation 1-15 of the Illinois Hospital Licensing Act and Requirements was adopted (January 17, 1962), requiring the "investigation" of all new hospital development proposals. This regulation provides that—

The Department shall to the extent it deems necessary make, or cause to be made, investigation of any person, acting individually or jointly with any other person, who proposes to build, own, establish, or operate a hospital. The investigation shall include the

requirement that the person shall as a pre-plan review or pre-application procedure, submit a report, including documentation, relating to all such persons and such other details of the proposed hospital or its establishment as the Department may require in accordance with forms and instructions provided by it.

Before the health department adopted this regulation, it had not been making investigations and evaluations of new hospital development proposals. Previously, action began when the sponsor's architect appeared at the State agency office with his plans, seeking review and approval under the design and construction standards of hospital licensing. Sometimes the architects would appear with final working drawings and specifications and expect immediate approval.

With the new regulation, investigation and evaluation are required as a preplan review and preapplication procedure. The department will not review plans nor accept applications for license to operate until the owners submit information and data, with extensive documentation, on forms entitled "Owner-Builder-Operator Project Data Report." They are required of public, nonprofit, and all proprietary hospitals, of general hospitals, allied special hospitals and, in fact, all facilities to which the Hospital Licensing Act applies.

The forms are designed to elicit fully documented disclosure of the facts of the hospital development proposal. The owners are identified; partnerships must disclose the partners and the partnership agreement; business corporations must disclose the incorporators, board of directors, and shareholders. Articles of incorporation, corporation bylaws, annual reports, and financial statements are required. Personal data sheets have to be completed by every officer, director, or principal shareholder. Data are required concerning plans for organizing the hospital medical staff.

The sponsors must describe the hospital program they have in mind: narrative description of type of facility, bed capacity, and so forth. Site data are needed including opinion of title to site, and facts as to local approvals—zoning, building, fire, health—must be documented.

Estimated project costs and financial resources must be listed. Copies of mortgage commitments and similar papers are required.

Estimated operating costs and source of funds for initial operating expense and for possible deficits must be discussed. The sponsor is required to state his plans for (a) outpatient services; (b) emergency services, especially for a patient who is, at the time, unable to pay; and (c) accreditation and licensing.

He also is required to describe and document the need for this particular facility in the community. He must obtain an "opinion" as to this need from recognized bodies or agencies, such as the Hospital Planning Council of Metropolitan Chicago if the hospital is being planned within the Chicago area.

Frequently, the proposal is one in which the ownership of site, building, and equipment are vested in one entity and the operation in another entity. In this instance both parties must complete the forms and reports.

The review and evaluation processes begin when all forms and documents have been received by the State health department. They are subjected to as thorough a review and analysis as department staff resources and talents permit. Staff resources include persons with the professional and technical skills of medicine, law, hospital administration, accounting, architecture, and statistics. As occasion requires, other resources are used: staff of the division of vocational rehabilitation, department of mental health, securities division, and others. As a part of the investigation, facts concerning the persons associated with the proposal are routinely checked. These matters are cleared with official and nonofficial agencies such as the Bureau of Criminal Identification of the Illinois Department of Public Safety, Chicago Crime Commission, U.S. Immigration Service, and Illinois Department of Registration and Education.

The community where the proposed hospital is to be built may be visited by staff representatives; visits are likely, too, if plans include existing buildings on the site. The requirements of local codes and ordinances are verified.

The financial structure is analyzed and the kind of debt burden that would be imposed on the hospital operation is determined. Loan commitments are examined for "hedging," or any "special" conditions. If the owner and

operator are different people, the leasing agreement is examined. Information is gathered on the existing hospitals in the community where a new hospital is proposed and the area in which it is to be located. Data of the Hill-Burton State Plan are used. When the preliminary evaluation is completed, a letter is written to the sponsor of the proposal or a meeting is held with him. At this point additional information is requested if needed.

When the investigation is completed, all findings are presented to the hospital licensing board. The sponsors are invited to appear and present their own case and to answer questions asked by the board. The board then makes its recommendation to the director of public health as to whether or not the particular proposal constitutes a sound hospital development proposal in the public interest.

Since this procedure was started, a total of nine proposals have been approved. A total of 13 proposals have been found not to be sound hospital developments, and therefore the enterprises have not proceeded. More than one case has been reevaluated and reheard before the board and again rejected.

It is too early to pass judgment on the evaluation procedure. It is evident that it has prevented some unsound developments. It is certain, too, that the existence of this procedure has served as a deterrent to many poorly conceived proposals. Forms and instructions have been given to a considerable number of potential project sponsors, office discussions have followed with representatives of many of the potential projects, and not infrequently all parties have decided not to proceed.

Every State needs a comprehensive hospital licensing statute with adequate provisions to permit effective administration and enforcement. Having such a statute, the administering agency should study all new hospital development proposals before they reach the advanced stages of architectural planning or construction. The staff that administers this program requires the firm backing of administrative officials; advisory boards; professional medical, hospital, and health agencies; and all who are concerned that the hospital system be a sound one.